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Merchanting, sales in transit and intermediary trade

How intermediary trade works, the Turkish definition and exchange control rules for merchanting, how it differs from customs transit, bonded warehouses and free zones, switch bills and origin, payment and finance, VAT, risk in sales in transit and choosing Incoterms

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SHORT ANSWER

Merchanting trade is the sale of goods bought from a company abroad or in a free zone, or from a bonded warehouse, to a buyer abroad, in a free zone or in a bonded warehouse, either in transit through Türkiye or directly (Export Regulation Art. 4(1)(ö)). The goods are not released for free circulation in Türkiye and often never touch it. No separate licence is needed, but merchanting in banned goods or with embargoed countries is not allowed. Under Communiqué 2008-32/34, the sale proceeds may be freely disposed of. According to a Revenue Administration ruling, these sales fall outside the scope of VAT. Merchanting is a commercial transaction; customs transit is moving cargo under customs supervision. Switch bills, origin and aligning the Incoterms rules in the two contracts are the critical points.

A short note first

This page is not legal, tax or foreign exchange advice. The exchange control and tax rules on merchanting trade can change, and the tax authority views we quote are private rulings given to the taxpayer who asked. For a real transaction, talk to your bank and your accountant.

What is intermediary trade? Merchanting and triangular trade

In intermediary trade, the company selling the goods neither makes them nor ships them from its own country. The goods are bought from a supplier in one country and sold to a buyer in another; the intermediary sits between two contracts and earns the price difference. In English this is called **merchanting trade**; Turkish law calls it *transit ticaret*. It is sometimes also called triangular trade: contracts and documents move between three parties, but the goods often travel directly between two points.

A simple example: an Istanbul company buys a textile machine from a manufacturer in China and sells it to a factory in Egypt. The machine goes straight from Shanghai to Alexandria and never touches Türkiye. The Turkish

company earns the difference between the two invoices.

Flow	Seller (supplier)	Intermediary (Turkish company)	Buyer
Contract	Sells to the intermediary	Buys from the supplier, sells to the buyer	Buys from the intermediary
Invoice	Invoices the intermediary	Issues its own invoice to the buyer	Receives the intermediary's invoice
Goods	Loads in its own country	Usually never sees the goods	Takes delivery in its own country
Money	Collects from the intermediary	Collects from the buyer, pays the supplier	Pays the intermediary

Intermediary trade is closely tied to the **sale in transit**, where goods are sold on while at sea. The chain can grow longer: the same cargo can change hands several times while the ship is under way. The International Chamber of Commerce (ICC) calls these "string sales" and notes that they are particularly common in commodity trades.

Merchanting trade in Türkiye: definition and rules

Definition. Under Article 4(1)(ö) of the Export Regulation (İhracat Yönetmeliği), merchanting trade is the sale of goods bought from a company established abroad or in a free zone, or from a bonded warehouse, to a company established abroad or in a free zone, or to a bonded warehouse, either in transit through Türkiye or directly. Three things follow from this:

- The goods may **never come to Türkiye** (a direct sale), or may only **pass through Türkiye in transit**.
- The buying and selling sides can be abroad, in a free zone or in a bonded warehouse. If the goods are released for free circulation in Türkiye, that is an import and falls outside the definition.
- The definition describes a commercial transaction, not a movement of goods. How the goods physically travel is a separate matter; we explain the difference below.

Prohibitions. Under Article 13(3) of the same Regulation, goods whose trade is banned by international agreements, and goods for which the Ministry does not approve merchanting, cannot be the subject of merchanting trade. Nor can merchanting trade be conducted with countries subject to import and export bans. The Regulation was last amended on 6 May 2025.

No separate licence or form. According to the Ministry of Trade's list of communiqués, Communiqué 2006/6 on Merchanting Trade was repealed by Communiqué 2008/11. According to a sworn financial adviser's commentary, the merchanting trade form procedure also ended on 12 July 2008. So today no separate Ministry approval is needed for merchanting trade; the transaction documents matter on the bank and tax side.

Exchange control: proceeds can be used freely. Under Article 7(1) of Communiqué 2008-32/34 on Decree No. 32 on the Protection of the Value of the Turkish Currency, the proceeds of merchanting sales may be freely disposed of. For export proceeds, a separate communiqué sets a repatriation period and the Export Proceeds Acceptance Certificate (İBKB); that regime is covered in Bringing export proceeds home: the İBKB. Article 11 of the same Communiqué allows banks and factoring companies to provide foreign currency funding by taking over export and merchanting receivables; Article 8 makes service contracts within merchanting trade an exception to the ban on foreign-currency contracts between residents. The Communiqué was last amended in July 2025; confirm the practice with your bank.

Export controls and sanctions. Communiqué 2003/12 on dual-use exports excludes merchanting trade from its scope in Article 7. That does not make merchanting unregulated: the Article 13 prohibitions above apply, and so does Article 2 of Law No. 7262, which implements UN sanctions and also bans the transit of listed materials. See Sanctions and export controls for details.

Merchanting trade versus customs transit

The two terms share a word in Turkish and are often mixed up, but they answer different questions. **Merchanting trade** answers "who buys the goods from whom, and sells them to whom?"; it is a matter of commercial and exchange control rules. **Customs transit** answers "how does cargo on which duties have not been paid move from one point to another under customs supervision?"; it is a customs procedure.

	Merchanting trade	Customs transit
What is it?	Selling goods bought abroad to a buyer abroad without releasing them for free circulation in Türkiye	Moving cargo with duties suspended under customs supervision
Legal basis	Export Regulation; Decree No. 32 legislation	Customs Law, Common Transit Convention, TIR Convention
Do the goods come to Türkiye?	Not necessarily; if they do, they pass through in transit or wait in a bonded warehouse	Yes, they move within the Turkish customs territory
Key documents	Purchase and sale invoices, contracts, transport document, bank records	Transit declaration (NCTS), guarantee, TIR carnet
Who deals with it?	The intermediary, its bank and its accountant	Carrier, forwarder, customs broker

Both can appear in the same deal: if the goods sold by a Turkish intermediary pass through Türkiye, the transaction is merchanting trade and the goods' journey through Türkiye is made under the transit procedure. The transit steps, guarantees and NCTS are covered in Customs transit.

Bonded warehouses and free zones

The definition expressly includes bonded warehouses and free zones. Both routes let the goods physically come to Türkiye without entering free circulation.

- **Customs warehouse.** Under the customs warehousing procedure, imported goods are stored in an approved warehouse without paying duties. Goods in the warehouse can be sold to a buyer abroad without being released for free circulation. This lets an intermediary bring in and stock goods before a buyer is found, then sell them in lots. Warehouse types and the procedure in general are covered in Customs procedures.
- **Free zone.** According to the Ministry of Trade's information note on free zones, free zones are treated as outside the Turkish customs territory for the purposes of customs procedures. Trade can run from the zone abroad and from abroad into the zone; every movement of goods is recorded on a Free Zone Transaction Form. Goods sent from Türkiye to a zone fall under the export procedure, and goods sent from a zone into Türkiye fall under release for free circulation. See Free zones.

Where the goods come to Türkiye and enter a warehouse or free zone, customs and storage costs, insurance and guarantees come into the calculation. In our view, the profitability of a merchanting deal should often be judged against these costs: if the goods can go direct without touching Türkiye, routing them through Türkiye only makes sense when it adds value (stocking, splitting, repacking, faster delivery).

Documents: invoices, bills of lading and origin

A merchanting deal involves two sales contracts, two invoices and usually a single physical shipment. The document process aims to let the deal run smoothly without the two ends knowing each other.

1. **Two invoices.** The supplier invoices the intermediary, and the intermediary invoices the buyer. The intermediary's invoice shows its own price; the supplier's price does not reach the buyer.
2. **Transport document.** On the bill of lading issued at loading, the shipper is the supplier and the consignee is often "to order" or the intermediary. The intermediary may want to give its buyer a document that does not show the supplier's name. The way to do this is to return the first original set to the carrier and have a new set issued in its place: a **switch bill of lading**. The basic definition is in Bill of lading; which details can be changed and on what terms the carrier issues a new set is covered in Amendments, switch bills and split bills.
3. **The limits of a switch.** For merchanting, the rule can be summed up like this: the intermediary may hide the supplier's name, but not where and when the goods were loaded. According to a P&I club's guidance, a request to change the port of loading may aim to hide the goods' true origin or to evade sanctions or customs duties, and changing the date comes close to fraud under a letter of credit. Which details may and may not change is set out in a table in the section linked above.
4. **Origin.** A certificate of origin shows the country where the goods were produced, not the intermediary's country. Chinese goods sold by a Turkish intermediary remain of Chinese origin on the certificate. Preferential origin and how origin documents are issued are covered in Rules of origin and preferential trade.
5. **Consistency.** The intermediary's invoice, the switch bill, the packing list and the certificate of origin must show the same goods, the same quantity and the same vessel. In our experience, the most common problem in merchanting is two document sets that do not match each other.

Banks and payment

The intermediary's biggest risk is cash flow: it cannot get the goods without paying the supplier, and it cannot see its margin without collecting from the buyer. The payment structure is designed to close this gap.

- **Transferable letter of credit.** If the credit opened by the buyer is "transferable", the intermediary can transfer all or part of it to its supplier. Under Article 38 of UCP 600, the first beneficiary (the intermediary) may substitute its own invoice for that of the second beneficiary (the supplier) and draw the difference between the two invoices under the credit. If the first beneficiary does not supply its own documents on first demand, the transferring bank may forward the second beneficiary's documents as they are to the issuing bank; the supplier's price then becomes visible to the buyer. Types of credit are covered in Types of letter of credit.

- **Back-to-back letter of credit.** Here the credit is not transferred; two separate credits are opened. The buyer's bank issues a master credit in favour of the intermediary, and the intermediary's bank, using the master credit as security, issues a second credit in favour of the supplier. According to an article published by ICC Academy, the second credit can differ from the master in amount, documents and some terms; that gives flexibility, but costs and the administrative load are higher than with a transferable credit. The documents under each credit must comply separately, and a default on the buyer's side can make it harder for the intermediary to pay the supplier under the second credit.
- **Financing the receivable.** Under Article 11 of Communiqué 2008-32/34, banks and factoring companies may provide foreign currency funding by taking over merchanting receivables.
- **Merchanting loans and the exemption.** Communiqué Export 2017/4 brings loans extended by banks to finance merchanting trade within the tax, duty and fee exemption. For these loans, the commitment is closed by collecting the merchanting income. The exemption period is 18 months from the date the purchase price is transferred; to close it, the purchase and sale invoices and a document showing that the sale price was collected (a foreign exchange purchase certificate or a bank letter) are submitted to the bank within that period (Arts 14 and 16). Where the purchase price exceeds the sale price, the exemption does not apply to the part matching the shortfall (Art. 15).

Payments should go through banks, and each payment should clearly state which invoice it relates to. In our view, the intermediary should receive at least a letter of credit or an advance from the buyer before paying the supplier; otherwise, if the buyer walks away, the goods are left on the intermediary's hands in a foreign port.

Tax: VAT and exemptions

These are the points we could verify on the tax side; always confirm the practice with your accountant.

- **VAT.** According to a private ruling dated 25 July 2013 by the Istanbul Tax Office Directorate of the Revenue Administration, merchanting sales made abroad without bringing the goods to Türkiye fall outside the scope of VAT, because the VAT Law taxes transactions carried out in Türkiye (Arts 1/1 and 6/b). These sales are not included in the VAT return, and the related exchange rate, price and maturity differences are not subject to VAT either.
- **Ba-Bs reporting.** According to the same ruling, because invoices must be issued in merchanting trade, purchases and sales above the reporting threshold are included in the Ba and Bs forms.
- **Tax, duty and fee exemption.** Under Communiqué Export 2017/4, transactions relating to merchanting trade and the papers issued for them are exempt (Art. 4/1-ç), and the purchase and sale of goods in merchanting trade benefit from the exemption without any further document (Art. 5/1-ç).
- **Profit.** According to a sworn financial adviser's commentary, profit from merchanting trade is the profit of the intermediary as a full taxpayer in Türkiye and is subject to the general rules of corporate income tax.

Private rulings bind only the taxpayer who asked and reflect the law at the date they were given. For your own transaction, you can ask the Revenue Administration for a ruling if needed.

Sale in transit and choosing Incoterms

When does risk pass? Where the Vienna Sales Convention (CISG) applies, the risk in goods sold in transit passes to the buyer, as a rule, from the time the contract is concluded (Art. 68). If the circumstances so indicate, the risk is assumed by the buyer from the time the goods were handed over to the carrier who issued the transport documents. If, when the contract was concluded, the seller knew or ought to have known that the goods had been lost or damaged and did not tell the buyer, that loss stays with the seller. In practice, the Incoterms rule in each sale in the chain takes the place of this default rule.

Property is a separate issue. The CISG does not deal with the effect of the contract on property in the goods (Art. 4(b)), and Incoterms do not deal with transfer of title either. Write into the contract when ownership passes. The holder's right to take delivery under a bill of lading, and the bill's role when goods are sold in transit, are explained in Bill of lading; we do not repeat them here.

Which Incoterms rule? According to the Incoterms 2020 explanatory notes, under FOB, CFR and CIF the seller either delivers the goods itself or "procures goods so delivered". This wording is there to accommodate string sales. An intermediary can sell on these terms without loading the goods itself; it meets its delivery obligation by procuring goods already delivered on board. The same notes say that FOB, CFR and CIF are not suitable for containerised goods handed to the carrier before loading on board; FCA, CPT and CIP should be used instead.

In our view, aligning the delivery terms in the two contracts is the most important task in intermediary trade. An intermediary that buys FOB and sells CFR arranges the freight itself and controls the transport document; one that buys CFR and sells CFR leaves the freight to the supplier and has less control over the document. If the risk and insurance points in the two contracts do not match, the gap falls on the intermediary. The rules are covered in detail in Incoterms 2020.

Risks and checklist

Intermediary trade can bring quick margins, but because the intermediary never sees the goods, some risks grow. In our view, the list below covers the most common ones.

- **Inconsistent documents.** If the two invoice sets, the switch bill and the certificate of origin do not match, the bank stops payment and the buyer has trouble at customs.
- **Sanctions and export controls.** The intermediary can be caught by rules in both the supplier's and the buyer's countries. Goods moving through a third country to a sanctioned destination are a typical red flag in international guidance. Communiqué 2003/12 does not apply to merchanting in Türkiye, but the export controls of the supplier's country and no-re-export clauses still apply. See Sanctions and export controls.
- **Origin.** If the buyer expects a certificate of origin for preferential duty, agree at the outset where and by whom it will be issued. The intermediary's country does not change the origin of the goods.
- **Double sales and forged documents.** Several original sets in circulation and fake bills of lading are classic routes to fraud in merchanting. See Fraud in trade and logistics.
- **Cash flow.** The time between paying the supplier and collecting from the buyer is the intermediary's financing need.

- **Exchange control and tax records.** If a merchanting loan was used, the closing documents must reach the bank within 18 months; Ba-Bs reporting must not be forgotten.

Pre-shipment checklist:

1. Are the goods and destination eligible for merchanting? Are they caught by the prohibitions in Article 13(3) of the Export Regulation?
2. Have the supplier, buyer, end user and vessel been screened against sanctions lists?
3. Do the Incoterms rules, risk points and insurance points in the two contracts match?
4. Will a switch bill be needed? Does the carrier accept it, and which details will change?
5. Who will issue the certificate of origin, and in which country?
6. Is the payment structure settled: transferable credit, advance payment or financing?
7. Have invoices, bank records and reporting been agreed with your accountant?

Where to go next in the guide

- Customs transit, NCTS and guarantees: Customs transit
- Switch bills and changes to bills of lading: The bill of lading in practice
- Sanctions screening and re-export risk: Sanctions and export controls
- Transferable and other letters of credit: Payment methods and letters of credit
- Repatriation of export proceeds and finance: Export finance, government support and export proceeds
- Delivery terms and the CISG: Incoterms 2020
- Origin documents: Rules of origin and preferential trade

Which courses cover this topic?

Merchanting trade is not a separate heading in our course map. The closest heading, "Foreign exchange regulation and currency risk", is a separate course in 2 programmes and part of another course in 14. A few examples:

- Osmaniye Korkut Ata University — International Trade and Logistics (bachelor's) — Foreign Exchange Legislation and Practice
- Bursa Uludağ University, Gemlik Asım Kocabıyık Vocational School — Foreign Trade (associate degree) — Banking Foreign Exchange Transactions (BSGZ212)
- İzmir University of Economics, Vocational School — Logistics (associate degree, within a course) — International Trade and Payments (VSC 113)
- Kastamonu University — International Trade and Logistics (bachelor's, within a course) — Accounting for Foreign Trade Transactions (AİS012)

Test yourself

1. A company in İzmir sells goods bought in Vietnam directly to a buyer in Germany without bringing them to Türkiye. Is this merchanting trade or an export? *(Answer: Merchanting trade. The goods are bought from a company abroad and sold directly abroad without entering free circulation in Türkiye; Export Regulation Art. 4(1)(ö).)*
2. Must the same company bring the sale proceeds back to Türkiye within 180 days? *(Answer: Under Article 7 of Communiqué 2008-32/34, merchanting sale proceeds may be freely disposed of. But if a merchanting loan was used, collection of the sale price must be documented to the bank within 18 months to close the exemption.)*
3. The intermediary does not want its buyer to see the Chinese supplier's name, and also asks for the port of loading on the bill of lading to be changed. Which is acceptable? *(Answer: A switch bill with a changed shipper can be legitimate; changing the port of loading hides the goods' true origin and should not be accepted.)*
4. While the ship is at sea, the cargo is sold to a second buyer under a CISG sale with no Incoterms rule. When does the risk pass? *(Answer: As a rule, from the conclusion of the contract; if the circumstances so indicate, from handover to the carrier. CISG Art. 68.)*

Frequently asked questions

Do I need a licence or document for merchanting trade?

No separate Ministry of Trade approval is needed today; Communiqué 2006/6 on Merchanting Trade was repealed in 2008. However, merchanting is not allowed in goods banned by international agreements, goods the Ministry does not approve, or with countries subject to import and export bans (Export Regulation Art. 13(3)). Keep invoices and payment records as evidence for the bank and tax sides.

Are merchanting trade and customs transit the same thing?

No. Merchanting trade is selling goods bought abroad to a buyer abroad without releasing them for free circulation in Türkiye; it is a commercial transaction. Customs transit is moving cargo with duties unpaid under customs supervision; it is a customs procedure. Both can appear in the same deal.

Is there VAT on merchanting trade?

According to a 2013 private ruling of the Revenue Administration, merchanting sales made abroad without bringing the goods to Türkiye fall outside the scope of VAT and are not included in the VAT return; exchange rate, price and maturity differences are not subject to VAT either. The ruling binds only the taxpayer who asked; confirm your own position with your accountant.

Is a switch bill of lading a legitimate practice?

Yes, if there is a legitimate reason and it is done properly: the full first original set is returned to the carrier, the cargo description, ports and quantity stay the same in the new set, and the place and date of loading show what actually happened. Changing the port or date of loading can serve to hide origin, evade sanctions or commit fraud under a letter of credit.

Which Incoterms rule is used in intermediary trade?

The "procure goods so delivered" wording in FOB, CFR and CIF is there for string sales; the ICC notes that these sales are common in commodity trades. For containerised cargo, which is handed to the carrier before loading, FCA, CPT and CIP are more suitable. Make sure the risk and insurance points of the rules in the two contracts match.

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